



SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-198, OMB Control No. 3235-0279]

Proposed Collection; Comment Request; Extension: Rule 17a-4

Upon Written Request, Copies Available From:
Securities and Exchange Commission
Office of FOIA Services
100 F Street, NE
Washington, DC 20549-2736

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (“PRA”) (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (“Commission”) is soliciting comments on the collection of information provided for in Rule 17a-4 (17 CFR 240.17a-4), under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.). The Commission plans to submit this existing collection of information to the Office of Management and Budget (“OMB”) for extension and approval.

Rule 17a-4 requires exchange members, brokers, and dealers (“broker-dealers”) to preserve for prescribed periods of time certain records required to be made by Rule 17a-3. In addition, Rule 17a-4 requires the preservation of records required to be made by other Commission rules and other kinds of records which firms make or receive in the ordinary course of business. These include, but are not limited to, bank statements, cancelled checks, bills receivable and payable, originals of communications, and descriptions of various transactions. Rule 17a-4 also permits broker-dealers to employ, under certain conditions, electronic storage media to maintain records required to be maintained under Rules 17a-3 and 17a-4.

There are approximately 3,508 active, registered broker-dealers. The staff estimates that the average amount of time necessary to preserve the books and records as required by Rule 17a-4 is 254 hours per broker-dealer per year. Additionally, the Commission estimates that paragraph (b)(11) of Rule 17a-4 imposes an annual burden of 3 hours per year to maintain the

requisite records. The Commission estimates that there are approximately 200 internal broker-dealer systems, resulting in an annual recordkeeping burden of 600 hours.

The Commission also estimates that there are approximately 2,578 broker-dealers with retail customers resulting in an annual initial burden of approximately 4,225,342 hours and an annual ongoing burden of approximately 4,182,947 to comply with Rule 17a-4(e)(5). Moreover the Commission estimates that these broker-dealers will incur 258 hours in annual burden to comply with Rule 17a-4(e)(10).

Therefore, the Commission estimates that compliance with Rule 17a-4 requires 9,300,179 hours each year $((3,508 \text{ broker-dealers} \times 254 \text{ hours}) + (200 \text{ broker-dealers} \times 3 \text{ hours}) + 4,225,342 \text{ hours} + 4,182,947 \text{ hours} + 258 \text{ hours})$. These burdens are recordkeeping burdens. The total burden hour decrease of 678,217 hours is due to a decrease in the number of respondents from 3,764 to 3,508.

In addition, the Commission estimates that the telephonic recording retention provision of paragraph (b)(4) of Rule 17a-4 imposes an initial burden on broker-dealer SBSBs and broker-dealer MSBSPs of 13 hours per firm in the first year and an ongoing burden of 6 hours per year (including the first year). Therefore, the Commission estimates that there are 17 respondents, resulting in an estimated industry-wide initial burden of 221 hours in the first year and an ongoing burden of 102 hours per year (including the first year) bringing the total industry burden estimation to 527 hours over a three-year period.

The Commission estimates that the provisions of paragraphs (b)(1), and (b)(8)(v)-(viii) relating to security-based swap activities and paragraphs (b)(8)(xvi) and (b)(14) of Rule 17a-4 impose an initial burden of 65 hours per firm in the first year and an ongoing burden of 30 hours per year (including the first year). The Commission estimates that there are 42 respondents, resulting in an estimated industry-wide initial burden of 2,730 hours in the first year and an ongoing burden of 1,260 hours per year (including the first year) bringing the total industry burden estimation to 6,510 hours over a three-year period.

The Commission estimates that the provisions of paragraph (b)(1) applicable to broker-dealer SBSs and broker-dealer MSBSs and paragraphs (b)(15) and (b)(16) of Rule 17a-4 impose an initial burden of 65 hours per firm in the first year and an ongoing burden of 30 hours per year on broker-dealer SBSs and broker-dealer MSBSs (including the first year). The Commission estimates that there are 17 respondents, resulting in an estimated industry-wide initial burden of 1,105 hours in the first year and an ongoing burden of 510 hours per year (including the first year) bringing the total industry burden estimation to 2,635 hours over a three-year period.

The Commission estimates that provisions of paragraph (b)(1) of Rule 17a-4 that apply only to broker-dealer SBSs impose an initial burden of 13 hours per firm in the first year and an ongoing burden of 6 hours per year (including the first year) on broker-dealer SBSs. The Commission estimates that there are 16 broker-dealer SBSs, resulting in an estimated industry-wide initial burden of 208 hours in the first year and an ongoing burden of 96 hours per year (including the first year) bringing the total industry burden estimation to 496 hours over a three-year period.

The staff believes that compliance personnel would be charged with ensuring compliance with Commission regulation, including Rule 17a-4. The staff estimates that the hourly salary of a Compliance Clerk is \$78 per hour. Based upon these numbers, the total internal cost of compliance for 3,508 respondents is the dollar cost of approximately \$749 million $((891,632 \text{ yearly hours} \times \$78) + (600 \text{ hours} \times \$78) + (4,225,342 \text{ hours} \times \$78) + (4,489,218 \text{ hours} \times \$78) + (258 \text{ hours} \times \$78))$.

Based on conversations with members of the securities industry and the Commission's experience in the area, the staff estimates that the average broker-dealer spends approximately \$5,000 each year to store documents required to be retained under Rule 17a-4. Costs include the cost of physical space, computer hardware and software, etc., which vary widely depending on the size of the broker-dealer and the type of storage media employed. The Commission estimates that the annual reporting and recordkeeping cost burden is \$17,540,000. This cost is calculated by the

number of active, registered broker-dealers multiplied by the reporting and recordkeeping cost for each respondent (3,508 registered broker-dealers x \$5,000).

The Commission estimates that each applicable firm incurs an ongoing annual cost of approximately \$2,000 per firm for server, equipment, and systems development costs associated with the telephonic recording retention requirement, which applicable to broker-dealer SBSs and broker-dealer MSBSs. The Commission estimates that there are 17 respondents, resulting in an estimated industry-wide ongoing annual cost of \$34,000 for compliance with the telephonic recording retention provision of Rule 17a-4(b)(4).

The Commission estimates that provisions of paragraphs (b)(1), (b)(8)(v)-(viii) relating to security-based swap activities and paragraphs (b)(8)(xvi) and (b)(14) of Rule 17a-4 impose an ongoing annual cost of approximately \$600 per firm. The Commission estimates that there are 42 respondents, resulting in an estimated industry-wide ongoing annual cost of \$25,200.

The Commission estimates that the provisions of paragraph (b)(1) applicable to broker-dealer SBSs and broker-dealer MSBSs and paragraphs (b)(15) and (b)(16) of Rule 17a-4 impose ongoing annual cost of approximately \$600 per firm. The Commission estimates that there are 17 respondents, resulting in an estimated industry-wide ongoing annual cost of \$10,200.

The Commission estimates that the provisions of paragraph (b)(1) of Rule 17a-4 that apply only to broker-dealer SBSs imposes an additional ongoing annual cost of approximately \$120 per firm to broker-dealer SBSs. The Commission estimates that there are 16 broker-dealer SBSs, resulting in an estimated industry-wide ongoing annual cost of \$1,920.

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of

information technology. Consideration will be given to comments and suggestions submitted in writing by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street, NE, Washington, DC 20549, or send an email to: PRA_Mailbox@sec.gov.

Dated: August 29, 2022.

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2022-18983 Filed: 9/1/2022 8:45 am; Publication Date: 9/2/2022]